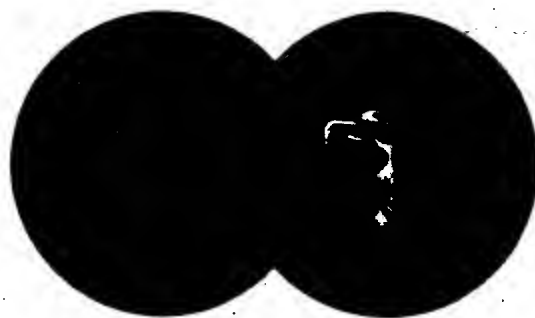


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WEEKLY SUMMARY



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H I G H L I G H T S

The Council of Foreign Ministers, which has found it exceedingly difficult during the past four weeks to reach agreement on Germany, Berlin, and Austria, is also finding it hard to reach agreement on a day to adjourn. Soviet Delegate Vishinsky's latest instructions from Moscow--which did not arrive in time for the 16 June session--will apparently permit him to conclude a limited working agreement on east-west German trade and Berlin traffic and possibly to make some advance toward an Austrian treaty.

Possible Israeli intentions to resort to arms once again in order to gain territorial objectives may be foreshadowed by a recent increase of Israeli aggressive moves, the cancellation of all military leaves for Israel's armed forces, and inflammatory speeches by Israeli leaders (see page 6). Meanwhile, the negotiations at Lausanne and Israeli armistice talks with Syria and Jordan are deadlocked.

The possibility that violence may break out in the Caribbean has been greatly increased recently by a flurry of revolutionary activity and the shift of the Caribbean Legion's base of operations from Costa Rica to Guatemala (see page 12). The outbreak of fighting in the region, whether its immediate point of focus is Panama, Nicaragua, or the Dominican Republic, would have broad and adverse effects on hemispheric solidarity.

WESTERN EUROPE

GERMANY

Illegal Trade One of the major problems which will confront the new German government in its efforts to produce a sound German economy will be the establishment of effective customs controls. During the past eighteen months, the foreign exchange position of the Bizone has been seriously affected by the illegal export of an estimated \$200 million of goods, about 25% of the Bizone's total production for export. These exports have consisted largely of shipments to Eastern Europe of commodities which are in short supply in the Soviet orbit and on the US list of restricted items; in addition, substantial quantities of tax-free luxury items have been smuggled into western Germany. Unless this illicit trade can be stopped by effective border controls which will permit uniform application of customs regulations and consumer taxes in the three western zones, stabilization of the German economy either will be materially delayed or will require more ECA aid.

ITALY

Farm Strike The current Italian farm labor strike is symptomatic of the struggle between the Government and the Communists for control over farm labor. The expressed aim of the strike, conducted by the Communist-dominated General Confederation of Labor (CGIL) and supported by the Christian Democrat-sponsored Free Confederation, is to obtain a national contract covering wages and working conditions. Although the Communists probably do not expect to win a national contract, they hope to use the strike to persuade the farm workers that the CGIL was responsible for forcing the Government to institute reforms in regard to farm labor. The Communists thus hope that the strike will assist in retarding the trend toward greater government influence over

ITALY

farm workers. CGIL control over labor is being threatened by: (1) gradual assumption by the state employment offices of CGIL's power over the placement of farm workers; (2) legislative plans for regulating relations between farm employers and agricultural laborers, including the establishment of minimum wages and standards of working and living conditions; and (3) a proposal to limit by law labor's right to strike. Meanwhile, continuation of the present strike may force the Government to intervene in order to insure the harvesting of the nation's wheat crop, which supplies two-thirds of Italy's requirements and which should be harvested in the period between now and the end of July.

TRIESTE

Election Results Failure of the Italian faction in Trieste to win more than 63 percent of the votes in the 12 June communal elections of the US-UK Zone has strengthened the Soviet bargaining position regarding final disposition of the area. Trieste's pro-Cominform Communists emerged as the second most powerful political group and are now in a much stronger position to attack both their political rivals and the Allied Military Government (AMG). The poor showing of the pro-Tito Communists, however, reflects general Slovene hostility toward the Yugoslav brand of Communism and the bankruptcy of the Tito faction in Trieste. Although those elements favoring the return of the Free Territory to Italy failed to win a decisive victory, the majority won by the moderate pro-Italian parties will, at least, permit the communal administration of Trieste to continue to cooperate with the AMG.

UNITED KINGDOM

Labor Party The British Labor Party's political platform and policies were strongly endorsed by the delegates to the recent annual convention in Blackpool, although unrest among the rank-and-file of organized labor is evident throughout the country. The delegates overwhelmingly approved the program of the Party leadership for the next general election and supported Foreign Secretary Bevin's foreign policy without criticism. Although the strong support of the delegates for Cripps' severe economic policies will steady the government's hand in holding the line against substantial wage raises, it is questionable whether the delegates, on returning to their labor unions and constituencies, can convince ordinary workers and other laborites of the need to accept existing, or harder, living conditions.

E A S T E R N E U R O P E

Paris Muddle The Council of Foreign Ministers, at the end of four weeks, was finding it nearly as difficult to adjourn as it has been to reach agreement on Germany, Berlin, and the Austrian treaty. Moreover, the same obstacle blocking agreement on the time for adjournment--namely, the compulsion Soviet Delegate Vishinsky has been under to refer the most minute points back to Moscow for decision--has also been a contributing factor to the glacial pace of the negotiations. What has become clear during the past four weeks is that in the face of current western terms the Kremlin has authorized Vishinsky to negotiate no more than a limited working agreement on east-west German trade and Berlin traffic and possibly to permit some progress toward the drawing up of an Austrian peace treaty. In short, the USSR apparently still finds the price of the western powers too high.

NEAR EAST - AFRICA

Arms Shipments Greatly increased pressure for lifting the UN embargo on arms shipments to the Middle East will probably impel the Security Council to consider the matter in the near future. The UK is especially anxious to fulfill limited commitments to Egypt, Iraq, and Jordan, in connection with their internal security problems. Although a precipitate and complete lifting of the present embargo might touch off an arms race that would seriously jeopardize the uneasy calm prevailing in the Middle East, it is unlikely that the release of small arms to the Arab states for internal security purposes would have dangerous consequences. Thus, if the issue is raised in the UN, the Security Council will undoubtedly modify the ban somewhat.

PALESTINE

Military Rumblings With Israeli armistice negotiations with Syria and Jordan, as well as the Lausanne peace conference, deadlocked and apparently doomed to early failure, an increase in Israeli aggressive moves, combined with Israel's cancellation of all military leaves for the immediate future and incendiary speeches by Israeli officials, suggests that Israel may resort to force to gain its territorial objectives. The most serious threat to peace is in the Jerusalem area. Israeli forces recently moved into the UN-demilitarized zone around Government House, which dominates the Arab Legion supply route from Jordan to Jerusalem and the Jordanian-held region of Samaria. Although pressure from the Mixed Armistice Commission resulted in the withdrawal of troops, Jewish civilian police remain in the area and Israel thus maintains a strategic hold on the sector. In addition, the Israelis have threatened to take over the Mt. Scopus area, and

PALESTINE

new Israeli concentrations have been reported in the Latrun sector. Concurrently, the Syrian-Israeli armistice deadlock continues, and the Israelis have reinforced their troops to the west of the disputed Mishmar hay Yarden border area. The Acting UN Mediator's suggestion that the area be demilitarized has not broken the deadlock, and the issue will probably be thrown back into the lap of the Security Council, although the Israeli build-up of strength may presage an attempt to retake the area and present the Security Council with another fait accompli.

Meanwhile, weeks of discussion at Lausanne have accomplished little. Recently the Israeli delegation ostensibly sought to resolve the deadlock by proposing that: (1) such issues as territorial boundaries, refugees, and the status of Jerusalem be turned over to separate sub-committees; (2) the Arab governments increase the authorities of their delegations to make effective decisions; (3) the Palestine Conciliation Commission (PCC) make a genuine effort to bring Arabs and Israelis together; and (4) the various armistice agreements be used as a basis for the final peace settlement. These proposals, which were immediately rejected by the Turkish and French members of the PCC, represented more of a propaganda move than a sincere attempt to compromise and suggest not only that the Israelis are seeking to shift the onus for the current deadlock from themselves to the PCC and the Arab delegations, but that they are hoping for a breakdown of the conference that would provide an excuse for resuming hostilities in Palestine.

INDIA-PAKISTAN

Kashmir Truce The UN Commission for India and Pakistan (UNCIP) has now sent a two-man delegation to New Delhi in the forlorn hope of obtaining a statement sufficiently precise and reasonable to present to Pakistan as

INDIA - PAKISTAN

the Indian position on the Kashmir truce conditions. This final effort to obtain agreement on UNCIP's truce proposals will probably be unsuccessful. Subsequent attempts by UNCIP to bring the governments together in a joint meeting or to turn the matter over to arbitration also appear foredoomed. Of the Commission members, only the Czechoslovak representative has shown signs of favoring prolongation of negotiations almost certain to end in failure. Thus, it is probable that the Commission will soon feel compelled to confess its failure and to refer the matter back to the Security Council.

F A R E A S T

CHINA

Political Consolidation The recent assignment of leading Communist military figures to high political positions suggests that the Communists now believe that the military phase of the revolution is virtually over, or at least subordinate to the task of political and economic consolidation. Top-rank Commanders Chen Yi and Liu Po-Cheng have been appointed to senior positions in Shanghai and Nanking. Their appointment appears normal and logical during the necessary period of martial law since both men are able administrators and experienced in organizing and operating military governments.

Communist Government Because of the need for further political and economic consolidation of Communist-controlled territory, the establishment of a central Communist government claiming jurisdiction over all of China is not imminent. Such a regime will probably not be proclaimed until at least October. Moreover, it is unlikely that the USSR will accord formal diplomatic recognition to the Communists until they have established such a central government. It will be some time, therefore, before the western powers will be forced to take a stand on the international status of Communist China, particularly with reference to China's seat on the UN Security Council and its representation on other international bodies.

Soviet Orientation Meanwhile, Chinese Communist statements have been entirely in accord with orthodox Communist doctrine and the Party continues in its unwavering acknowledgement of Soviet leadership in the international Communist movement. Despite this orthodoxy, the Chinese Communists may erect a temporary facade of

CHINA

friendly cooperation with the western powers in order to expedite trade and commerce essential to China. In fact, China's tremendous economic needs and the inability of the USSR to fill those needs offer the most likely prospect at present for the development of friction between the two nations.

TAIWAN

Communist Infiltration Despite concentration on Taiwan of at least 250,000 Nationalist troops (including the Chinese air force), increasingly effective Communist infiltration and a lack of Nationalist leadership and organization do not augur well for permanent defense of the island against Communist attack. The Nationalist position on the island is steadily degenerating as a consequence of widespread dissension among Nationalist army, navy, and air force units, instability in the Nationalist political administration, and deteriorating economic conditions. In addition, there is as yet no clearly defined Nationalist determination to fight the Communists. Meanwhile, the Communists have intensified their propaganda program designed to exploit Taiwanese discontent. In view of the unlikelihood of a direct Communist assault in 1949, however, Chiang Kai-shek will probably be able to hold the island beyond the end of the year, although his long-term prospects of retaining control remain poor.

KOREA

Border Clashes Continued border clashes along the 38th parallel in Korea may eventually seriously weaken the ability of South Korea's security forces not only to defend the Republic's northern border but to maintain order within the country. Korean border clashes, which multiplied following the withdrawal of US occupation troops from the 38th parallel in January 1949, have recently increased in number as well as scope. Although it is usually impossible to determine whether individual border incidents were precipitated by northern or southern forces, the North Korean regime undoubtedly believes that the border clashes will contribute to the eventual neutralization of South Korea's capacity to resist. More immediately, the North Korean regime probably hopes that these engagements will: (1) maintain an atmosphere of fear and tension in South Korea; (2) test the capabilities of southern defenses; (3) disorganize and disperse concentrations along the two main invasion routes into southern Korea; and (4) force South Korean security forces to concentrate along the 38th parallel, leaving the Republic's interior more vulnerable to guerrilla attack.

W E S T E R N H E M I S P H E R E

Caribbean Legion Recent revolutionary activity in the Caribbean area, involving the shift of the Caribbean Legion's base of operations from Costa Rica to Guatemala, increases the possibility of violence somewhere in the Caribbean in the near future. Indications have been growing recently that the Legion is formulating operational plans and has the arms with which to mount a formidable attack. These facts, in addition to a gradual shift in the balance-of-power favorable to such countries as Costa Rica, Cuba, and Guatemala (the countries actively supporting the Caribbean Legion), augment uncertainty in the region and encourage the revolutionaries to take action. Although no clue to the direction of such an attack can be found in the present grouping of forces in Guatemala, the most likely targets of the Caribbean Legion are: (1) the Panamanian Government, against which the Legion might act in collaboration with Arias partisans who seek to overthrow the Diaz government; (2) the Somoza regime in Nicaragua; and (3) the Trujillo government in the Dominican Republic. The Caribbean Legion is likely, as cover for its real attack, to engage in preliminary feints and maneuvers intended to confuse observers. However, an outbreak of fighting in the Caribbean area -- regardless of its immediate point of focus -- would aggravate the complex governmental interrelationships and could result in considerable bloodshed and a widespread breakdown of hemispheric solidarity.

A R G E N T I N A

Improved Stability The recently concluded Argentine-British trade agreement will have a short-term stabilizing influence on the Peron regime and may pave the way for the substantial expansion of foreign trade essential to the Government's stability. Army discontent will lessen in

ARGENTINA

proportion to the extent to which the agreement and current trade discussions with the US relieve Argentina's economic plight. The Cabinet group, which favors a program of international cooperation as the best means of restoring economic stability, is temporarily in the ascendancy over the nationalist obstructionists. Moreover, the Government will be able partially to refute nationalist objections to the British agreement by claiming that Argentine interests are not being sacrificed in view of the higher price being paid by the UK for Argentine meat. The Government, however, is still beset with labor unrest, army dissension, and nationalist obstructionism, and it is still not certain whether the administration can withstand domestic pressure during the considerable period before an improvement in the Argentine economy is realized.

INTERNATIONAL LABOR DEVELOPMENTS

The struggle between East and West for control of world labor will be highlighted at the WFTU Congress in Milan on 28 June and at the Geneva Conference of Free Trade Unions on 26 June. Although the alignment of certain left-wing unions in the West is still in doubt, the trend toward the division of organized world labor into Communist and non-Communist camps will be accelerated as a result of these two meetings.

Indicating the substantial influence of the WFTU in areas outside the Soviet orbit, left-wing unions in Canada, Australia, the UK, and the US recently repudiated the decisions of their national organizations to withdraw from the WFTU. The extent of this revolt, however, will depend primarily on what disciplinary action the parent national organizations in these countries will take against their recalcitrant unions and on whether these left-wingers will be willing to face expulsion for failure to comply with the decision to leave the WFTU. If any of these left-wing unions participate in the Milan Congress, along with Western European labor federations still under Communist domination (the French CGT, the Italian CGIL, and the Dutch EVV), the WFTU would continue to exert a substantial influence outside the Soviet orbit.

Meanwhile, non-Communist labor leaders are making progress toward the establishment of a democratic labor international. The recently organized moderate leftist and Christian Democratic labor federations in Italy have decided to participate in the Geneva meetings; the national Swedish labor organization will withdraw from WFTU prior to the Milan Congress; and the Swiss labor movement is reportedly determined to resign from the WFTU and to participate in the Geneva conference. Thus, Finland and Israel will be the only countries with non-Communist national labor federations represented at the WFTU Congress. Histadruth, Israel's government-controlled labor organization, however, has temporarily sidestepped the basic problem of East-West alignment by deciding to send representatives to both Geneva and Milan with instructions to plead for unity of international labor.

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